

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 NEAE-00 EB-08 AID-05 CIAE-00 FRB-03

INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03

SP-02 LAB-04 SIL-01 OMB-01 L-03 SS-15 DOTE-00

SCS-06 CA-01 /086 W

-----122101 051310Z /72

P 051111Z APR 78

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC PRIORITY 7709

USDOC WASHDC

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EO 11652: N/A

TAGS: ELTN, BDIS, EINV, IR

SUBJ: ASSISTANCE TO U.S. BUSINESS: CASE OF GENERAL MOTORS

REF: A. TEHRAN 2994, B. TEHRAN 2881, C. TEHRAN 2827

1. PURSUANT TO REF B, I CALLED ON MINISTER INDUSTRIES AND MINES REZA AMIN AFTERNOON APRIL 4, ACCOMPANIED BY E/C COUNSELOR BREWIN. THIS CABLE SUMMARIZES OUR DISCUSSION ON GENERAL MOTORS PROBLEM. VIA SEPTTEL EMBASSY WILL REPORT MINISTER'S COMMENTS ON MATTERS WHICH GE AND DOW CHEMICAL COMPANY REPS HERE ASKED ME TO RAISE WITH GOI.

2. I BEGAN BY SAYING THAT I HAD RAISED MATTER OF GENERAL MOTORS PROBLEM WITH THE SHAH WHO IN REPLY HAD MADE QUITE CLEAR THAT GOI WAS MOST UNHAPPY WITH GM. WHILE NOT TAKING A POSITION MERITS OF CASE ON WAY OR OTHER, I DID NOTE THAT A GM PULLOUT FROM IRAN WOULD INEVITABLY HAVE A NEGATIVE RIPPLE EFFECT AS REGARDS U.S. BUSINESS PERCEPTION OF THE INVESTMENT CLIMATE HERE. I ASKED AMIN WHETHER HE COULD SEE ANY WAY OUT OF THE IMPASSE, PARTICULARLY WHETHER AN EARLY VISIT HERE BY GM PRESIDENT ESTES WOULD BE WORTHWHILE.

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3. AS WAS THE CASE WITH THE SHAH, AMIN HAD A SWIFT AND BLUNT RESPONSE READY FOR ME. HE SAID THAT THE GOI WAS "VERY DISAPPOINTED" WITH GM'S FAILURE TO HAVE INAUGURATED A BASIC MANUFACTURING PROGRAM IN IRAN. AMIN SAID THAT THERE ARE IDLE HEAVY PRESS FACILITIES AT THE GM PLANT WHICH THE COMPANY COULD IMMEDIATELY UTILIZE TO INCREASE THE IRANIAN CONTENT OF THE VEHICLES

NOW BEING ASSEMBLED. ALL GM IS DOING IN IRAN, SAID AMIN, WAS PAINTING KITS BROUGHT IN FROM THE U.S. THE GOI SIMPLY WILL NOT PERMIT THIS STATE OF AFFAIRS TO CONTINUE ANY LONGER. AMIN NOTED THAT WHEN GOI ISSUED A LICENSE TO GM TO START BUSINESS HERE IT WAS WITH THE CLEAR PRECONDITION THAT A PROGRESSIVE MANUFACTURING PROGRAM BE LAUNCHED. HE SAID THAT ON TWO OCCASSIONS THE GOI EMPHASIZED THIS REQUIREMENT BUT GM DID NOTHING: 1) WHEN THE GOI APPROVED ASSEMBLY OPERATIONS FOR THE IRAN CHEVROLET (A CARBON COPY OF GM'S OPEL); 2) LAST YEAR WHEN THE GOVERNMENT APPROVED THE ASSEMBLY OF THE CHEVROLET NOVA, BUICK APOLLO AND CADILLAC SEVILLE. AMIN WENT ON TO SAY THAT HIS DEPUTY WHO HAD BEEN HANDLING GM MATTERS, GHAFARZADEH, WOULD BE RETURNING TO IRAN AT THE END OF NEXT WEEK AT WHICH TIME AMIN WOULD SEND GM A LETTER STATING ROUGHLY AS FOLLOWS: A PROGRAM FOR MANUFACTURING MOTOR VEHICLES MUST BE INSTITUTED AT THE PLANT OR THE COMPANY'S LICENSE TO DO BUSINESS WOULD BE CANCELED. AS TO THE UTILITY OF GM PRESIDENT ESTES COMING TO IRAN TO DISCUSS THE MATTER WITH THE SHAH, AMIN THOUGHT THAT THIS WOULD CERTAINLY BE WORTHWHILE PROVIDED MR. ESTES CAME PERPARED TO AGREE AT THE OUT SET THAT THE COMPANY WOULD BEGIN MANUFACTURING IN IRAN. OTHERWISE, AMIN THOUGHT THAT ESTES WOULD FAIL IN HIS MISSION.

4. AS REPORTED REF C THE MANAGING DIRECTOR OF GM (IRAN) (AMCIT HOWARD VANGE) HAS BEEN REMOVED AS MANAGING DIRECTOR OF THE ENTERPRISE. AN IRANIAN HAS BEEN INSTALLED AS THE NEW MANAGING DIRECTOR BY THE ALL-IRANIAN BOARD OF DIRECTORS. E/C COUNSELOR LIMITED OFFICIAL USE

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REACHED VANGE AT HIS HOME HERE WHERE LATTER IS SITTING ON THE SIDELINES PENDING FINAL DISPOSITION ON THE QUESTION OF GM'S PRESENCE IN IRAN. AFTER DIGESTING THE GIST OF MY DISCUSSION WITH AMIN WHICH BREWIN RELAYED TO HIM, VANGE OFFERED THE FOLLOWING COMMENT. SPEAKING FOR HIMSELF, HE SAID, GM IS FED UP WITH BEING MISTREATED AND PUSHED AROUND BY THE IRANIANS. VANGE SAID THAT AMIN'S ULTIMATUM ABOUT MANUFACTURING IS IN EFFECT A MESSAGE TO GM IRAN'S ALL-IRANIAN BOARD OF DIRECTORS AND NOT TO GM OF THE U.S. SINCE LATTER NO LONGER ON THE BOARD OR IN ANY WAY INVOLVED IN THE MANAGEMENT OF THE ENTERPRISE. GM WOULD NOT SUBMIT TO BLACKMAIL, HE SAID. OF COURSE, ANY FINAL DECISION WOULD HAVE TO BE MADE BY GM'S TOP MANAGEMENT BUT VANGE LEFT NO DOUBT AS TO WHAT HIS OWN RECOMMENDATION WOULD BE. HE SAID THAT GM HAD REQUESTED AN AUDIENCE WITH THE SHAH FOR ESTES, SAYING THAT ESTES WOULD BE AVAILABLE TO COME TO IRAN APRIL 6, 7 OR 8, PROVIDED THE SHAH WAS ALSO AVAILABLE. HE HAD NOT RECEIVED ANY RESPONSE YET

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NSAE-00 ICA-11 XMB-02 OPIC-03 SP-02 LAB-04 SIL-01  
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FM AMEMBASSY TEHRAN  
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TO THIS REQUEST FOR AN AUDIENCE BUT ASSUMED THAT THE COURT WOULD  
PUT THE REQUEST TO THE SHAH. HE PROMISED TO LET US KNOW AS SOON  
AS HE HAD FURTHER WORD. (WE HAVE JUST RECEIVED STATE 085420.)

5. IT SEEMS CLEAR THAT GM AND THE GOI ARE ON COLLISION COURSE  
UNLESS THE COMPANY AGREES TO BEGIN MANUFACTURING HERE. IN THIS  
CONNECTION, AMIN NOTED THAT PEUGEOT AND VOLVO HAD AGREED TO BEGIN  
MANUFACTURING AT THE OUTSET OF THEIR OPERATIONS HERE, IRAN  
NATIONAL'S PEYKAN (CHRYSLER OF UK MODEL) NOW HAD 65 PERCENT LOCAL  
CONTENT AND THAT FORD MOTOR COMPANY HAD GIVEN VERY INTERESTING  
PROPOSAL TO GOI CALLING FOR MANUFACTURE OF A HUNDRED PERCENT IRANIAN  
VEHICLE OVER TIME. WE HAVE MADE IT CLEAR TO VANGE, WHO WILL  
PRESUMABLY RELAY IT TO HIS SUPERIORS, WHAT THE GOI POSITION IS.  
WE HAVE SAID, OF COURSE, THAT GM ITSELF MUST DECIDE HOW IT WISHES  
TO DEAL WITH THE REALITIES OF THE CURRENT SITUATION.

6. AS TO THE MATTER OF THE NEW COMPOSITION OF THE BOARD OF  
DIRECTORS, WHICH GM ASSERTS WAS BROUGHT ABOUT ILLEGALLY, EMBASSY  
CAN ONLY CONJECTURE AS TO WHETHER A REVERSION TO THE BEGIN UNDER-  
LINE STATUS QUO ANTE END UNDERLINE CAN BE BROUGHT ABOUT. OUR  
GUESS WOULD BE, AND IT IS ONLY A GUESS, THAT IF GM IS FULLY  
RESPONSIVE TO THE QUESTION OF BEGINNING MANUFACTURING HERE, THAN  
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MANAGEMENT CONTROL COULD ONCE AGAIN REVERT TO GM AND VANGE RE-  
INSTALLED AS MANAGING DIRECTOR. OBVIOUSLY, THIS WILL BE A MATTER  
THAT GM AND ITS IRANIAN PARTNERS WILL HAVE TO WORK OUT AMONG  
THEMSELVES.

7. IF DEPARTMENT LEARNS ANYTHING AS TO DATE FOR ESTES' AUDIENCE  
WITH SHAH, PLEASE ADVISE. I WILL BE HAPPY TO MEET WITH ESTES  
IF HE COMES TO TEHRAN.  
SULLIVAN

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## Message Attributes

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**TAGS:** ELTN, BDIS, EINV, IR, GENERAL MOTORS  
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